



## Missing Middle Housing Program

### Introduction

The Missing Middle Housing Program is a housing production program that is designed to address the general lack of attainable housing and housing challenges underscored by the COVID-19 pandemic by increasing the supply of housing stock to support the growth and economic mobility of employees by providing cost defrayment to developers investing in, constructing, or substantially rehabbing properties targeted to household incomes between 185% and 300% of the Federal Poverty Guidelines (FPG). Detail about these income ranges is included in the fourth attachment highlighted below. The Missing Middle Housing Program is funded by State appropriated American Rescue Plan (ARP) Funds from the U.S. Department of the Treasury. \$50 million of ARP funding has been dedicated to the Missing Middle Housing Program.

The following information is organized into four sections:

1. The first attachment is a non-binding Introduction that gives a general narrative overview of the program
2. The second attachment is a Summary Term Sheet that organizes the key program highlights into an easy-to-read format for quick reference
3. The third attachment is the actual Missing Middle Housing Plan which is the official governing document of the Missing Middle Housing Program. In the event of any discrepancies between the Introduction, Summary Term Sheet, or the Missing Middle Housing Plan, the Missing Middle Housing Plan will be the governing document
4. The fourth attachment is additional maps and tables to assist applicants with applying the program requirements to their specific Missing Middle development

The Michigan State Housing Development Authority (MSHDA) will hold two funding rounds for the allocation of Missing Middle funding. Missing Middle Funding will be awarded with the primary goals of allowing developments to be processed as they are ready to move forward and also to ensure an equitable geographic distribution of resources. The first funding round will be awarded on a first-come-first-served basis. The second funding round will also be first-come-first-served, but will likely have some additional considerations that applicants will need to adhere to in order to ensure that all program requirements and targets are met in seeking to achieve an equitable geographical distribution of the resource throughout the state.

Eligible applicants for Missing Middle Funding are required to be tax-exempt 501(c)(3) non-profit organizations. However, ownership structures involving non-profit and for-profit entities will be allowable subject to meeting the legislative requirements and intent of the Missing Middle housing program.

Eligible developments must comply with the following:

1. New construction, adaptive re-use, or substantial rehabilitation (or combination thereof). Substantial rehabilitation is defined as rehabilitation of a housing unit that becomes an energy efficient housing unit and that requires financial investment of at least \$25,000.
2. Rental housing or for-sale housing (or combination thereof)
3. Multifamily attached, detached homes, or townhomes

Missing Middle funding awards to projects will be made in the form of subordinate grant funding at 0% interest.

All Missing Middle housing units must be occupied by households with incomes that are between 185% and 300% of the Federal Poverty Guidelines (FPG). Additionally, the rents charged or the sale price of units (as applicable) must be considered attainable for a Missing Middle household. MSHDA will publish program income/rent limits on its website to assist applicants with meeting these requirements.

Applicants must commit to maintaining affordability of the Missing Middle housing units in accordance with Missing Middle Housing Program requirements for a period of no less than 10 years following the disbursement of funding.

Funding will be targeted to the various Prosperity Regions in order to ensure appropriate geographical distribution throughout the state. Additionally, at least 30% of the total funding must be allocated to rural areas throughout the state.

## Missing Middle Housing Program - Summary Term Sheet

Program Overview	The Missing Middle Housing Program is a housing production program that is designed to address the general lack of attainable housing and housing challenges underscored by the COVID-19 pandemic by increasing the supply of housing stock to support the growth and economic mobility of employees by providing cost defrayment to developers invest in, constructing, or substantially rehabbing properties targeted to household incomes between 185% and 300% of Federal Poverty Guidelines (FPG). Detail about these income ranges is included in the fourth attachment highlighted below. The Missing Middle Housing Program is funded by State appropriated American Rescue Plan (ARP) Fund from the U.S. Department of the Treasury. \$50 million of ARP funding has been dedicated to the Missing Middle Housing Program.																											
Program Goal	To provide gap funding to eligible non-profit 501(c)(3) organizations to assist with funding the construction costs rental and for-sale housing targeted to eligible Missing Middle households.																											
Size of Program	\$50,000,000 has been allocated to the Missing Middle Housing program.																											
Funding Round Timing	Funding Round	Round Opening Date	Round Closing Date	Total Funding Available																								
	Round 1	Monday, September 19, 2022	Friday, December 30, 2022	\$ 15,000,000																								
	Round 2	Est. January 2023 - April 2023	Monday, September 30, 2024	\$ 33,000,000																								
City/Village/Township Limit	The maximum funding to any single City, Village, or Township is limited to 15% of the total awards made under Missing Middle Housing Program. This is a legislative requirement that cannot be waived or exceeded.																											
Prosperity Region Targets	<table><tr><th>Prosperity Region</th><th>Funding Amount</th></tr><tr><td>Region 1</td><td>\$ 1,400,000</td></tr><tr><td>Region 2</td><td>\$ 1,050,000</td></tr><tr><td>Region 3</td><td>\$ 1,050,000</td></tr><tr><td>Region 4</td><td>\$ 5,600,000</td></tr><tr><td>Region 5</td><td>\$ 2,100,000</td></tr><tr><td>Region 6</td><td>\$ 3,500,000</td></tr><tr><td>Region 7</td><td>\$ 1,750,000</td></tr><tr><td>Region 8</td><td>\$ 2,800,000</td></tr><tr><td>Region 9</td><td>\$ 3,150,000</td></tr><tr><td>Region 10</td><td>\$ 12,600,000</td></tr><tr><td>Remaining Balance</td><td>\$ 13,000,000</td></tr></table>				Prosperity Region	Funding Amount	Region 1	\$ 1,400,000	Region 2	\$ 1,050,000	Region 3	\$ 1,050,000	Region 4	\$ 5,600,000	Region 5	\$ 2,100,000	Region 6	\$ 3,500,000	Region 7	\$ 1,750,000	Region 8	\$ 2,800,000	Region 9	\$ 3,150,000	Region 10	\$ 12,600,000	Remaining Balance	\$ 13,000,000
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Rural Community Target	At least 30% of the total funding available must be allocated to projects in rural communities. For these purposes rural community is any geography designated by the United States Department of Agriculture – Rural Development as rural for purposes of its single-family housing guaranteed loan program.																											
Small Project Target	At least 10% of the total funding available must be allocated to projects that are composed of less than 12 total units.																											
Eligible Developments	Eligible developments must comply with the following:  <div><div>1.</div><div>New construction, adaptive re-use, or substantial rehabilitation (or combination thereof). Substantial rehabilitation is defined as rehabilitation of a housing unit that becomes an energy efficient housing unit and that requires financial investment of at least \$25,000.</div></div> <div><div>2.</div><div>Rental housing or for-sale housing (or combination thereof)</div></div> <div><div>3.</div><div>Multifamily attached, detached homes, or townhomes</div></div>																											
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Grant Term	The Missing Middle Housing Grant will have a 10-year compliance period. The amount of potential recapture in event of noncompliance will be Reduced by 1/10th per year over the period of 10 years. After a period of 10 year demonstrated compliance with program requirements, the grant will be fully forgiven.																											
Maximum Grant Award	The maximum grant amount to any one project may not exceed \$5 million																											

<b>Developer Limit</b>	<p>The maximum Missing Middle funding awards to any one developer (including related party entities) will be limited to \$7,500,000. This limit is to achieve equity within the program among eligible development companies. Should MSHDA determine that this limit is an impediment to achieving geographic distribution of the resources, it reserves the right to waive this limit by posting notice on the MSHDA website. If a developer partners with another developer or project, the amount of Missing Middle funding that will count towards the developer's cap will be pro-rated based the percentage of ownership that the developer has in the project.</p>
<b>Per-Unit Grant Limits</b>	<p><b>Eligible Costs</b></p> <p>BASE GRANT AMOUNT:</p> <p>The Base Grant Amount to any one project may not exceed \$5 million and will be further subject to the following limits:</p> <ul style="list-style-type: none"> <li>• Single-Family Detached Home, Townhome, or Condominium: <ul style="list-style-type: none"> <li>○ Up to 2 bedrooms: \$40,000/unit</li> <li>○ 3 or more bedrooms: \$50,000/unit</li> </ul> </li> <li>• Multifamily Attached Home, Townhome, or Condominium: <ul style="list-style-type: none"> <li>○ Up to 1 bedroom: \$35,000/unit</li> <li>○ 2 or more bedrooms: \$40,000/unit</li> </ul> </li> </ul> <p>INCREASES TO THE BASE GRANT AMOUNT:</p> <p>In addition, the following increases, which are cumulative, will be allowed:</p> <ul style="list-style-type: none"> <li>• In a county where the countywide area median income is lower than statewide median income: <ul style="list-style-type: none"> <li>○ Additional \$10,000/unit will be applied to the Base Grant Amount if the project is serving households from 185% to 225%</li> </ul> </li> <li>• In a county where the countywide area median income is 80% or less of the statewide median income: <ul style="list-style-type: none"> <li>○ An additional 25% increase will be applied to the Base Grant Amount</li> </ul> </li> <li>• \$10,000/unit increase to the Base Grant Amount for an energy efficient housing unit, defined as having a HERS rating of 60 or below or an energy star rating of 75 and above</li> </ul> <p>The Base Grant Amount is limited to the actual labor and material cost of the construction or rehabilitation.</p> <p>MSHDA reserves the right to update these figures as necessary to account for annual economic inflation. In doing so, MSHDA will post annual updates to these figures on its website.</p>
<b>Targeted Population of Households</b>	<p>Missing Middle housing units must be occupied by households with incomes that are between 185% and 300% of Federal Poverty Guidelines (FPG) at the time of initial occupancy. If a tenant vacates the unit and new tenant moves in the new tenant must demonstrate that their income meets program guidelines (between 185% of FPG and 300% FPG) prior to occupying the unit. Additionally, the rents charged on an annual basis or the sale price of units must considered attainable for a Missing Middle household. MSHDA will publish program income/rent limits on its web to assist applicants with meeting these requirements.</p>
<b>Eligible Applicants</b>	<p>Applicants for Missing Middle Housing funding are statutorily required to meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. Must be a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, 26 USC 501, authorized to do business in Michigan.</li> <li>2. Pass a criminal and civil background check of key employees</li> <li>3. Must not be under debarment with the U.S. Government</li> <li>4. Must have a mission and business model that is consistent with the intent of the program</li> <li>5. Must have a record of completing multiple projects similar to the proposed project.</li> <li>6. Must have the ability to implement rent restrictions and purchaser restrictions for the term of the project agreement.</li> <li>7. Must pass a financial capacity and creditworthiness test in accordance with MSHDA requirements.</li> </ol>

<b>Local Support</b>	<p>Projects must demonstrate local support. This may be shown as any one of combination of the following:</p> <ol style="list-style-type: none"> <li>1. Financial contributions of at least \$5,000</li> <li>2. Tax Abatement</li> <li>3. Tax Increment Financing</li> <li>4. Land Transfer from the local government for a sales price of not more than \$1,000 per unit</li> <li>5. Letter of support or Resolution from the local unit of government detailing how the project contributes to addressing the housing needs in the community.</li> </ol>
<b>Low-Income Housing Tax Credit Financing</b>	<p>Projects that are intending to utilize Missing Middle funding must agree that it is not utilizing and will not utilize Low Income Housing Tax Credit (LIHTC) funding as part of the financing of the development.</p>
<b>Project Compliance</b>	<p>For a period of 10 years following disbursement of funds to the developer, each Missing Middle housing unit, identified in the grant agreement and other applicable program documentation, will be required to demonstrate compliance with program requirements at initial occupancy of the unit or when a unit is vacated and a new household moves in. This will include demonstrating that the Missing Middle units are occupied by households that meet income requirements (185% of FPG to 300% of FPG) of the Missing Middle housing program at initial occupancy that the rents being charged on an annual basis or the sale price of the unit is considered attainable to a Missing Middle household. MSHDA will publish additional clarifying information on this topic as well as program income/rent limits on its website to assist applicants with meeting these requirements.</p>
<b>Project Timeline</b>	<p><b><u>Pre-Closing Deadlines:</u></b></p> <ul style="list-style-type: none"> <li>• Projects that are approved and awarded a Missing Middle Housing grant will be required to close on project financing and begin construction within six (6) months of receiving the Missing Middle Housing grant approval letter. This deadline will be extended on a case-by-case basis in MSHDA's sole discretion. This requirement is intended to ensure that applications are ready to proceed when submitting an application for Missing Middle funding and to ensure that the Missing Middle funding is awarded to developments that will utilize it in a timely fashion to ensure that the State of Michigan meets the federal State and Local Fiscal Recovery Funding (SLFRF) deadlines related to obligations and expenditures.</li> </ul> <p><b><u>Post-Closing Deadlines:</u></b></p> <p>Projects with 1 to 4 units:</p> <ul style="list-style-type: none"> <li>• Must secure a Certificate of Occupancy within 24 months from execution of the Missing Middle grant agreement.</li> </ul> <p>Projects with 5 or more units:</p> <ul style="list-style-type: none"> <li>• Must secure a Certificate of Occupancy within 36 months from execution of the Missing Middle grant agreement.</li> </ul> <p>Extensions of these deadlines may be granted at the sole discretion of MSHDA. In the event that an extension of a deadline is granted, a fee equal to 1% of the Missing Middle funding amount may be charged.</p> <p>Projects will be required to submit quarterly progress reports in order to track the quarterly progress of developments and ensure that projects are proceeding on schedule.</p>
<b>Funding Disbursement</b>	<p>Missing Middle housing funding will be disbursed to projects on a reimbursement basis upon the demonstration the project has completed construction and has received a Certificate of Occupancy as detailed in the Post Close Deadlines below. This will require projects to develop a strategy to financially bridge the Missing Middle housing grant funding during the construction period of the project with the understanding that the Missing Middle funding will not be disbursed to the project until a Certificate of Occupancy is received.</p>



## MISSING MIDDLE HOUSING PLAN

The Missing Middle Housing Program is a housing production program that is designed to address the general lack of attainable housing and housing challenges underscored by the COVID-19 pandemic by increasing the supply of housing stock to support the growth and economic mobility of employees by providing cost defrayment to developers investing in, constructing, or substantially rehabbing properties targeted to household incomes between 185% and 300% of the Federal Poverty Guidelines (FPG). The Missing Middle Housing Program is funded by State appropriated American Rescue Plan (ARP) Funds from the U.S. Department of the Treasury. \$50 million of ARP funding has been dedicated to the Missing Middle Housing Program.

### LIMITS AND TARGETS

#### **GEOGRAPHIC LIMITS:**

**CITY/VILLAGE/TOWNSHIP:** The maximum funding to support projects located in any single City, Village, or Township is limited to 15% of the total awards made under the Missing Middle Housing Program. This is a legislative requirement that cannot be waived or exceeded.

**DEVELOPER LIMIT:** The maximum Missing Middle funding awards to any one developer (including related party entities) will be limited to \$7,500,000. This limit is to achieve equity within the program among eligible development companies. Should MSHDA determine that this limit is an impediment to achieving geographic distribution of the resources, it reserves the right to waive this limit by posting notice on the MSHDA website. If a developer partners with another developer on a project, the amount of Missing Middle funding that will count towards the developer's cap will be pro-rated based on the percentage of ownership that the developer has in the project.

#### **GEOGRAPHIC TARGETS:**

Please note, if a project counts towards more than one of the Project or Geographic Targets below it may be counted towards and used in the achievement of each of those multiple targets.

**PROSPERITY REGIONS:** Each geographic prosperity region throughout the state will receive a minimum amount of funding as highlighted in the chart below. As eligible developments are submitted in these various geographic regions, they will be counted towards meeting the geographic target for that region. Please note that these are minimums per region in order to ensure geographic distribution of resources and 4% of the total has been removed from the calculation to account for program administrative expenses.

Prosperity Region	Funding Amount
Region 1	\$ 1,400,000
Region 2	\$ 1,050,000
Region 3	\$ 1,050,000
Region 4	\$ 5,600,000
Region 5	\$ 2,100,000
Region 6	\$ 3,500,000
Region 7	\$ 1,750,000
Region 8	\$ 2,800,000
Region 9	\$ 3,150,000
Region 10	\$ 12,600,000
Remaining Balance	\$ 13,000,000

RURAL COMMUNITIES: At least 30% of the total funding available must be allocated to projects in rural communities. For these purposes, a rural community is any geography designated by the United States Department of Agriculture – Rural Development as rural for purposes of its single family-housing guaranteed loan program. [USDA - RD Eligibility](#)

### PROJECT TARGETS:

SMALL PROJECTS: At least 10% of the total funding available must be allocated to projects that are composed of less than 12 total units. A larger project cannot be split into multiple smaller projects in order to fulfill this target.

### FUNDING AVAILABILITY

The Michigan State Housing Development Authority (MSHDA) will hold funding rounds for the allocation of Missing Middle funding. Missing Middle Funding will be awarded with the two primary goals of allowing developments to be processed as they are ready to move forward and also to ensure an equitable geographic distribution of resources. Funding round due dates will be established as outlined below.

### FUNDING ROUNDS:

The Funding Round due dates are listed below:

Funding Round	Round Opening Date	Round Closing Date	Total Funding Available
Round 1	Monday, September 19, 2022	Friday, December 30, 2022	\$ 15,000,000
Round 2	Est. January 2023 - April 2023	Monday, September 30, 2024	\$ 33,000,000

### *September 19, 2022 Funding Round:*

The September 19, 2022 funding round will operate on a first-come-first-served rolling basis and applications will be reviewed and considered in the order that they are received. All applications that are received by MSHDA prior to 4:00pm on the same day will be considered “received” at the same time. Applications received on the same day before 4:00pm will be ranked according to the amount of Missing Middle Funding per Missing Middle unit that is being requested and those applications requesting the least amount of Missing Middle Funding per Missing Middle unit will be reviewed first before those applications requesting more Missing Middle Funding. Applications submitted to MSHDA prior to the funding round due date will be considered as submitted on the Funding Round due date. Applications will continue to be accepted for processing on a rolling basis until the earlier of December 30,

2022 or until the funding available in the funding round is exhausted. Any funding that is still available from Round 1 will automatically be rolled into and included in the January-April 2023 funding round.

As applications for funding are received, MSHDA staff will maintain a public list on its website showing at a minimum the project name, location, developer name, funding requested/awarded, and Prosperity Region. This list will be maintained so that future applicants may know important data regarding how much funding is still available and which of the limits or targets described above have been met:

Prior to the estimated January-March Funding Round, MSHDA will determine:

1. Whether at least 30% of the total funding has been allocated in Rural Communities
2. Whether at least 10% of the total funding has been allocated to Small Projects of 12 total units or less
3. Whether the minimum targets have been met for each Prosperity Region

If less than the required amount has been allocated to any of those targeted areas, then a portion of the total funding available in the estimated January-April 2023 funding round equal to the amount needed to meet the targets (as determined by MSHDA) will be separated out and reserved for projects that qualify for the targets.

#### ***Estimated January - April 2023 Funding Round:***

To the extent necessary, funding will be held back and reserved in an amount necessary to ensure that the Project and Geographic Targets will be met, as described above. The reserved funding will be available on a first-come-first-served basis within the applicable Project and Geographic Targets. Any remaining funding will be available to all other projects regardless of location on a first-come-first-served basis (subject to the City/Village/Township limit described above). By December 1, 2023, if any amounts of funding that were originally reserved for a particular Prosperity Region or Small Projects is still uncommitted, those funds will become available to any eligible development regardless of location or size in order to ensure that the funding does not remain unutilized.

Subject to the requirements noted above, the January-April 2023 funding round will operate on a first-come-first-served rolling basis and applications will be reviewed and considered in the order that they are received. All applications that are received by MSHDA prior to 4:00pm on the same day will be considered “received” at the same time. Applications received on the same day before 4:00pm will be ranked according to the amount of Missing Middle Funding per Missing Middle unit that is being requested and those applications requesting the least amount of Missing Middle Funding per Missing Middle unit will be reviewed first before those applications requesting more Missing Middle Funding which were received on the same day. Applications submitted prior to the funding round due date will be considered as submitted on the funding round due date. Applications will continue to be accepted for processing on a rolling basis until the funding available in the funding round is exhausted.

#### **GENERAL ELIGIBILITY & FUNDING CONSIDERATIONS**

The following requirements will need to be met as part of MSHDA’s review of Missing Middle Funding applications.



## **Eligible Developments**

Eligible developments must comply with the following:

1. New construction, adaptive re-use, or substantial rehabilitation (or combination thereof). Substantial rehabilitation is defined as rehabilitation of a housing unit that becomes an energy efficient housing unit and that requires financial investment of at least \$25,000.
2. Rental housing or for-sale housing (or combination thereof)
3. Multifamily attached, detached homes, or townhomes

## **Eligible Costs**

BASE GRANT AMOUNT:

The Base Grant Amount to any one project may not exceed \$5 million and will be further subject to the following limits:

- Single-Family Detached Home, Townhome, or Condominium:
  - Up to 2 bedrooms: \$40,000/unit
  - 3 or more bedrooms: \$50,000/unit
- Multifamily Attached Home, Townhome, or Condominium:
  - Up to 1 bedroom: \$35,000/unit
  - 2 or more bedrooms: \$40,000/unit

INCREASES TO THE BASE GRANT AMOUNT:

In addition, the following increases, which are cumulative, will be allowed:

- In a county where the countywide area median income is lower than statewide median income:
  - Additional \$10,000/unit will be applied to the Base Grant Amount if the project is serving households from 185% to 225%
- In a county where the countywide area median income is 80% or less of the statewide median income:
  - An additional 25% increase will be applied to the Base Grant Amount
- \$10,000/unit increase to the Base Grant Amount for an energy efficient housing unit, defined as having a HERS rating of 60 or below or an energy star rating of 75 and above

The Base Grant Amount is limited to the actual labor and material cost of the construction or rehabilitation.

MSHDA reserves the right to update these figures as necessary to account for annual economic inflation. In doing so, MSHDA will post annual updates to these figures on its website.

## **Form of Assistance**

Missing Middle funding awards to projects will be made in the form of subordinate grant funding at 0% interest.

## **Grant Term**

The Missing Middle Housing Grant will have a 10-year compliance period. The amount of potential recapture in the event of noncompliance will be reduced by 1/10<sup>th</sup> per year over the period of 10 years. After a period of 10 years of demonstrated compliance with program requirements, the grant will be fully forgiven.

## **Income Targeting**

Missing Middle housing units must be occupied by households with incomes that are between 185% and 300% of the Federal Poverty Guidelines (FPG) at the time of initial occupancy. If a tenant vacates the unit and new tenant moves in, the new tenant must demonstrate that their income meets program guidelines (between 185% of FPG and 300% of FPG) prior to occupying the unit. Additionally, the rents charged on an annual basis or the sale price of units must be considered attainable for a Missing Middle household. MSHDA will publish program income/rent limits on its website to assist applicants with meeting these requirements. Additionally, income certification and compliance requirements will be published on MSHDA's website under a separate policy bulletin.

## **Missing Middle Housing Units**

The amount of Missing Middle funding that a project qualifies for will be based on the number of Missing Middle housing units that a project commits to developing. There is not a minimum number of Missing Middle units that will be required in a project.

## **Affordability Period**

Applicants must commit to restricting the Missing Middle housing units in accordance with Missing Middle Housing Program requirements for a period of no less than ten years following the disbursement of funding. The amount of potential recapture in the event of noncompliance will be reduced by 1/10<sup>th</sup> per year over the period of 10 years. After a period of 10 years of demonstrated compliance with program requirements, the grant will be fully forgiven.

## **Construction Standards**

At MSHDA's discretion, projects must demonstrate appropriate construction quality and design based on the location that the project will be located. MSHDA is still determining the applicability of labor standards such as Davis Bacon. More guidance will be forthcoming on this topic.

## **Low-Income Housing Tax Credit (LIHTC) Financing**

Projects that are intending to utilize Missing Middle funding must agree that it is not utilizing and will not utilize LIHTC funding as part of the financing of the development.

## **Local Support**

Projects must demonstrate local support. This may be shown as any one or combination of the following:

1. Financial contributions of at least \$5,000
2. Tax Abatement
3. Tax Increment Financing

4. Land Transfer from the local government for a sales price of not more than \$1,000 per unit
5. Letter of support or Resolution from the local unit of government detailing how the project contributes to addressing the housing needs in the community.

### **Funding Disbursement**

Missing Middle housing funding will be disbursed to projects on a reimbursement basis upon the demonstration that a project has completed construction and has received a Certificate of Occupancy as detailed in the Post Closing Deadlines below. This will require projects to develop a strategy to financially bridge the Missing Middle housing grant funding during the construction period of the project with the understanding that the Missing Middle funding will not be disbursed to the project until a Certificate of Occupancy is received.

### **ELIGIBLE RECIPIENTS**

Applicants for Missing Middle Housing funding are statutorily required to meet the following requirements:

1. Must be a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, 26 USC 501, authorized to do business in Michigan.
2. Pass a criminal and civil background check of key employees
3. Must not be under debarment with the U.S. Government
4. Must have a mission and business model that is consistent with the intent of the program
5. Must have a record of completing multiple projects similar to the proposed project. MSHDA is developing further guidance on this topic that will be detailed in a separate policy bulletin.
6. Must have the ability to implement rent restrictions and purchaser restrictions for the term of the project agreement.
7. Must pass a financial capacity and creditworthiness test in accordance with MSHDA requirements.

### **REVIEW CRITERIA**

The following items must be submitted for MSHDA staff review as part of the Missing Middle Funding application:

Applicants for Missing Middle Funding will be required to complete the Missing Middle Funding Due Diligence Exhibit Checklist. This checklist will detail the items that must be submitted as part of the Missing Middle Funding application. The checklist will include some or all of the following depending on the type of project being proposed:

1. Executive Summary - A narrative description of the project which includes the type of project; type of financing; tenants served; bedroom mix; local, federal or state subsidies; contact information, including email addresses, for all members of the development team; and other relevant information. (For rehabilitation projects, include a listing of the planned scope of work and proposed improvements).
2. Site Information – Proposal address and preliminary site plan.
3. Development Team Information

## **REVIEW CRITERIA Continued**

4. Missing Middle Funding Pro-Forma
5. Market Study
6. Environmental Study
7. Land Control, such as an Option to Purchase
8. Scope of Work
9. Architectural Plans
10. Trade Payment Breakdown detailing the projected construction costs
11. Zoning documentation
12. Site Utility Availability
13. Operating Budget documents
14. Confirmation of additional financing
15. Property Tax Documentation
16. Equal Employment Opportunity (EEO) Plan
17. Affirmative Fair Housing Marketing Plan (AFHMP)
18. Ownership Entity Formation documents
19. Site Plan Approval documentation
20. Non-Profit documentation
21. Tenant Relocation documentation (if applicable)
22. Community engagement efforts
23. American Rescue Plan (ARP) reporting documentation
24. Missing Middle Program Application

All of the exhibits must be submitted and determined substantially complete in order to retain a development's placement in the priority list for project review. Should MSHDA staff determine that the application is deemed substantially incomplete, the applicant will be notified that the application will not be further processed or added to the processing pipeline until it is complete. Once an application is deemed substantially complete, MSHDA staff will begin processing the application and may ask clarifying questions and accept additional information in order to verify or substantiate aspects of the project that are not apparent based on the review of the application documents submitted.

## **PROJECT TIMELINE**

The following deadlines will need to be met for projects that are awarded Missing Middle funding:

### **Pre-Closing Deadlines:**

- Projects that are approved and awarded a Missing Middle Housing grant will be required to close on project financing and begin construction within six (6) months of receiving the Missing Middle Housing grant approval letter. This deadline will be extended on a case-by-case basis in MSHDA's sole discretion. This requirement is intended to ensure that applications are ready to proceed when submitting an application for Missing Middle funding and to ensure that the Missing Middle funding is awarded to developments that will utilize it in a timely fashion to ensure that the State of Michigan meets the federal State and Local Fiscal Recovery Funding (SLFRF) deadlines related to obligations and expenditures.

### **Post-Closing Deadlines:**

Projects with 1 to 4 units:

- Must secure a Certificate of Occupancy within 24 months from execution of the Missing Middle grant agreement.

Projects with 5 or more units:

- Must secure a Certificate of Occupancy within 36 months from execution of the Missing Middle grant agreement.

Extensions of these deadlines may be granted at the sole discretion of MSHDA. In the event that an extension of a deadline is granted, a fee equal to 1% of the Missing Middle funding amount may be charged.

Projects will be required to submit quarterly progress reports in order to track the quarterly progress of developments and ensure that projects are proceeding on schedule.

### **PROGRAM COMPLIANCE**

For a period of ten years following disbursement of funds to the developer, each Missing Middle housing unit, as identified in the grant agreement and other applicable program documentation, will be required to demonstrate compliance with program requirements at initial occupancy of the unit or when a unit is vacated and a new household moves in. This will include demonstrating that the Missing Middle units are occupied by households that meet the income requirements (185% of FPG to 300% of FPG) of the Missing Middle housing program at initial occupancy and that the rents being charged on an annual basis or the sale price of the unit is considered attainable to a Missing Middle household. MSHDA will publish additional clarifying information on this topic as well as program income/rent limits on its website to assist applicants with meeting these requirements.

### **PROJECT REPORTING**

At the time when the Certificate of Occupancy is secured, projects will be required to report the following items to MSHDA staff:

1. Total number of units developed within project
2. Number of units qualifying for the grant
3. Total square footage of project
4. Total project costs. More guidance will be forthcoming regarding how projects will be required to verify the total project costs, such as with a third-party CPA Cost Certification.
5. Total project costs not covered under the grant

MSHDA may choose to collect information related to Diversity, Equity, and Inclusion in order to inform potential future changes to the program.

Additionally, projects will be required to report the following on an annual basis:

#### **For-Sale Units:**

- The price of each unit that is sold during the reporting year as well as tenant income verifications as may be required in order to comply with ARP guidelines

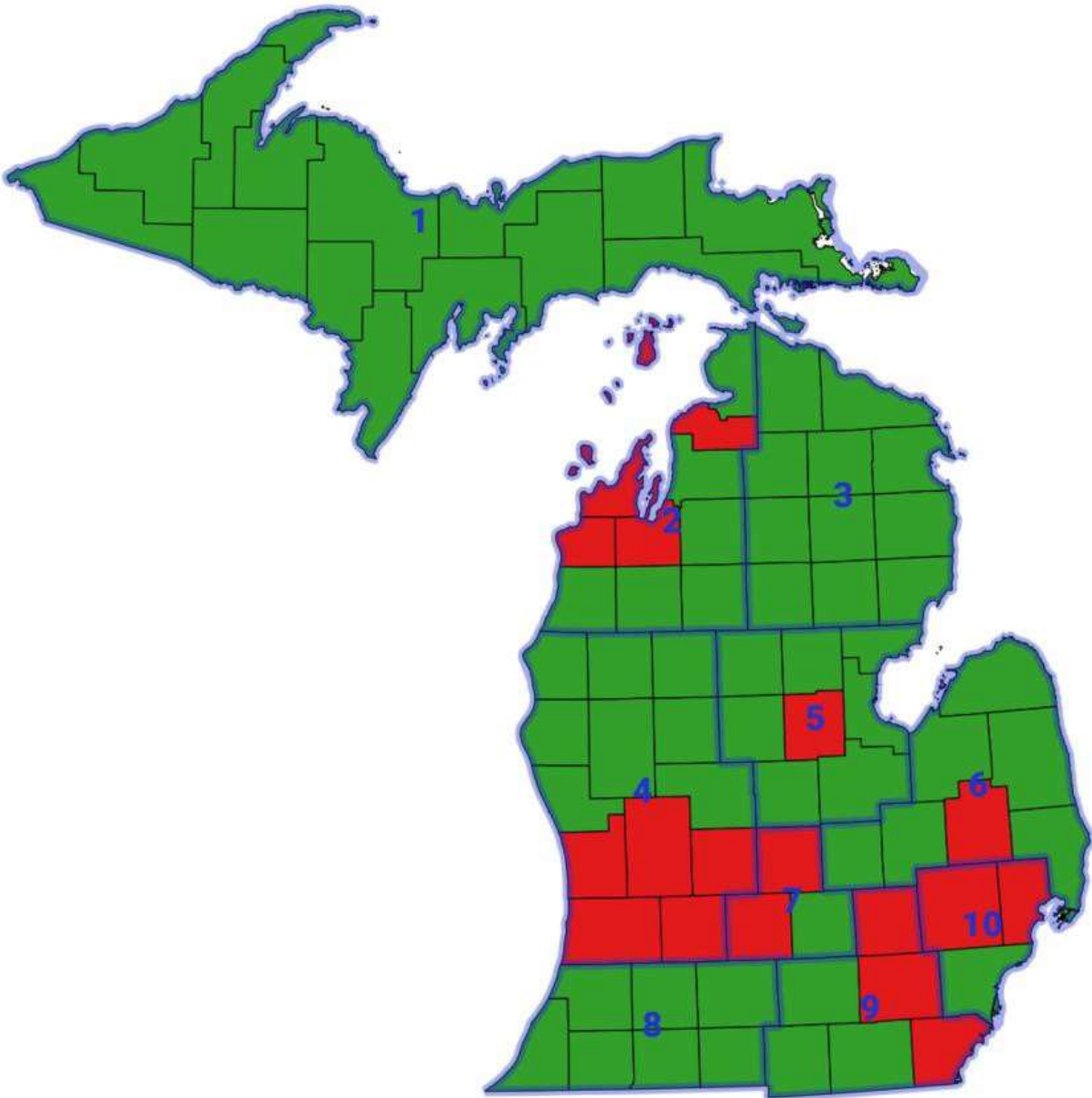
- Other documentation as required by MSHDA in order to determine compliance with Missing Middle program requirements as will be detailed in further guidance.

**Rental Units:**

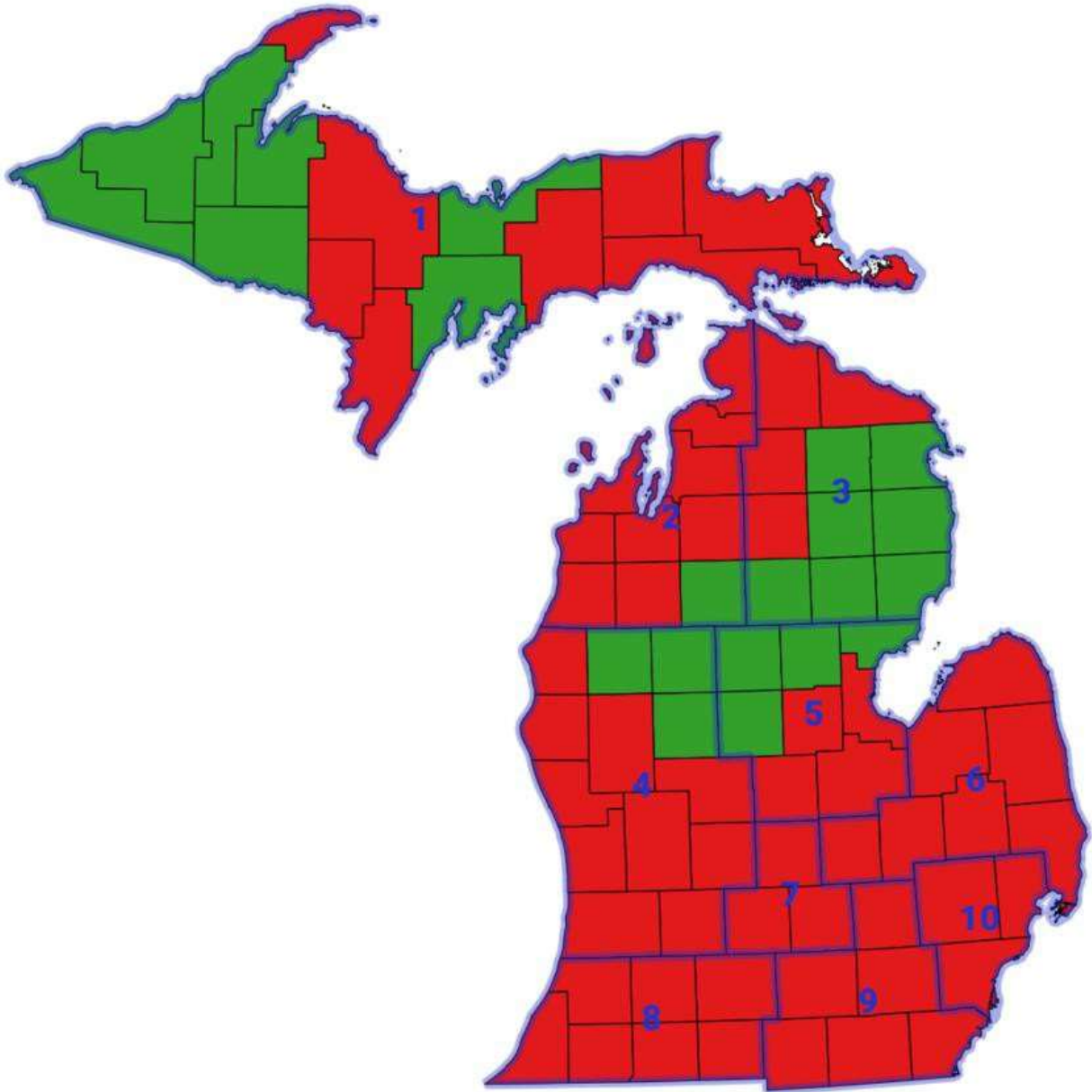
- A statement of the rental rate of each housing unit for rent within the project during the reporting year
- A statement of the income stated on the tenant applications for the project during the reporting year
- A statement of the occupancy rate of the project during the reporting year
- Other documentation as required by MSHDA in order to determine compliance with Missing Middle program requirements.

## ADDITIONAL MAPS AND TABLES:

Counties where the Countywide Area Median Income is lower than the Statewide Median Income are shaded in **GREEN**:



Counties where the Countywide Area Median Income is 80% or less of the Statewide Median Income are shaded in **GREEN**:





Federal Poverty Guidelines (2022)			
Household Size	Base	185%	300%
Individual	\$ 13,590	\$ 25,142	\$ 40,770
Family of 2	\$ 18,310	\$ 33,874	\$ 54,930
Family of 3	\$ 23,030	\$ 42,606	\$ 69,090
Family of 4	\$ 27,750	\$ 51,338	\$ 83,250
Family of 5	\$ 32,470	\$ 60,070	\$ 97,410
Family of 6	\$ 37,190	\$ 68,802	\$ 111,570
Family of 7	\$ 41,910	\$ 77,534	\$ 125,730
Family of 8	\$ 46,630	\$ 86,266	\$ 139,890
Family of 9	\$ 51,350	\$ 94,998	\$ 154,050
Family of 10	\$ 56,070	\$ 103,730	\$ 168,210

Missing Middle Gross Rent Limits*			
Unit Size	185% FPG	225% FPG	300% FPG
0-Bedroom	\$ 629	\$ 764	\$ 1,019
1 Bedroom	\$ 738	\$ 897	\$ 1,196
2 Bedroom	\$ 1,065	\$ 1,295	\$ 1,727
3 Bedroom	\$ 1,393	\$ 1,694	\$ 2,258
4 Bedroom	\$ 1,720	\$ 2,092	\$ 2,789

***Applicants will also be required to account for a Utility Allowance when determining the appropriate net rent that will be eligible to be collected. Utility allowance charts can be found at the following link: [MSHDA Utility Allowances](#)***

Missing Middle Sale Prices*			
Unit Size	185% FPG	225% FPG	300% FPG
0-Bedroom	\$110,352	\$134,212	\$178,950
1 Bedroom	\$129,516	\$157,519	\$210,026
2 Bedroom	\$187,006	\$227,440	\$303,253
3 Bedroom	\$244,497	\$297,361	\$396,481
4 Bedroom	\$301,987	\$367,282	\$489,709

***\*Per statutory language, "Attainable" means rent or sale price resulting in a final mortgage payment no higher than 30% of the gross annual income of a Missing Middle household. It further defines "Final Mortgage Payment" as a mortgage payment calculated by the developer that must include principal, interest, taxes, insurance, private mortgage insurance, association fees or lease payments, or fees related to participate in a community land trust in accordance with financing assumptions consistent with market conditions as determined by the program administrator. Therefore, the above amounts are estimates and may not apply to all locations or buyers.***

***Please note that Rent and Sale Price Limits will be updated periodically to reflect changes in the Federal Poverty Guidelines and/or economic changes that exist in the state in order to ensure that the limits are reflective of current economic conditions. The public will be notified of these changes through posting a notice on MSHDA's website.***